

DECKERVILLE COMMUNITY SCHOOLS

Deckerville, Michigan

Report on Financial Statements
(with additional information)

June 30, 2005

DECKERVILLE COMMUNITY SCHOOLS
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Deckerville Community Schools

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Deckerville Community School District, a K-12 school district located in Sanilac County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Deckerville Community School District administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2005 and June 30, 2004.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

Fund Financial Statements

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

Government-wide Financial Statements

The government-wide financial statements are required by GASB 34. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

Deckerville Community School
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005

Summary of Net Assets

The following schedule summarizes the net assets at fiscal year ended June 30, 2005 and 2004:

Assets	6/30/05	6/30/04
Current assets	\$ 3,722,495	\$ 3,758,428
Noncurrent assets	5,082,319	1,375,569
Total assets	<u>\$ 8,804,814</u>	<u>\$ 5,133,997</u>
Liabilities		
Current liabilities	\$ 879,200	\$ 832,218
Long-term liabilities	<u>2,872,095</u>	<u>3,190,271</u>
Total liabilities	3,751,295	4,022,489
Net Assets		
Invested in capital assets, net of related debt	2,054,382	(1,957,368)
Restricted for debt service	346,570	287,836
Unrestricted	<u>2,652,567</u>	<u>2,781,040</u>
Total net assets	5,053,519	1,111,508
Total liabilities and net assets	<u>\$ 8,804,814</u>	<u>\$ 5,133,997</u>

Analysis of Financial Position

During the fiscal year ended June 30, 2005, the District's net assets increased by \$3,942,011. Of this, \$3,870,400 was an adjustment for a building, net of depreciation, that was not included in last years net assets. A few of the more significant factors affecting net assets during the year are discussed below.

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2005, \$268,831 was recorded for depreciation expense.

Deckerville Community School
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2005, \$62,853 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

Capital assets increased by \$3,664,297 over the prior year. \$3,870,400 of this amount was due to a building that was not included in fixed assets last year and should have been.

Results of Operations

For the fiscal year ended June 30, 2005 and 2004, the results of operations, on a District-wide basis, were:

	<u>Year Ended June 30, 2005</u>		<u>Year Ended June, 30, 2004</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
General Revenues				
Property Taxes	\$1,361,396	20.12%	\$1,305,235	18.61%
Investment earnings	41,111	0.61%	36,913	0.53%
State sources	4,620,379	68.29%	4,854,684	69.24%
Other	<u>107,999</u>	<u>1.60%</u>	<u>130,738</u>	<u>1.86%</u>
Total general revenues	6,130,885	90.62%	6,327,570	90.24%
Program Revenues				
Charges for services	189,369	2.80%	193,382	2.76%
Operating grants	<u>444,961</u>	<u>6.58%</u>	<u>490,803</u>	<u>7.00%</u>
Total revenues	6,765,215	100.00%	\$7,011,755	100.00%
Expenses				
Instruction	3,772,864	56.36%	3,786,477	56.20%
Support services	1,998,643	29.86%	2,134,650	31.69%
Community services	125,486	1.87%	0	0%
Food services	309,971	4.63%	304,628	4.52%
Athletics	146,661	2.19%	175,454	2.60%
Interest on long-term debt	62,657	0.94%	149,706	2.22%
Amortization	8,491	0.13%	0	0%
Unallocated depreciation expense	<u>268,831</u>	<u>4.02%</u>	<u>186,909</u>	<u>2.77%</u>
Total expenses	6,693,604	100.00%	6,737,824	100.00%
Increase in net assets	<u>\$ 71,611</u>		<u>\$ 273,931</u>	

Deckerville Community School

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levied 17.2692 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2004-2005 fiscal year, the district levied \$1,010,606 non-homestead property taxes. This represented an increase of 6.29% from the prior year. The amount of unpaid property taxes at June 30, 2005, less an estimate for those deemed to be un-collectible, was \$5,000.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-homestead Tax Levy	% Increase (Decrease) from prior year
2004 – 2005	\$1,010,606	6.29%
2003 – 2004	950,819	2.52%
2002 – 2003	927,483	7.72%
2001 – 2002	860,993	2.70%
2000 – 2001	838,359	(0.51%)

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2004 – 2005 fiscal year, the District's foundation allowance was \$6,700 per student FTE, which represented no increase over the amount received for the 2003 – 2004 fiscal year.

3. Student Enrollment

The following schedule lists the actual blended student FTE for the past five fiscal years:

	Actual Blended Student FTE
2004 – 2005	798
2003 – 2004	826
2002 – 2003	851
2001 – 2002	871
2000 – 2001	929

Deckerville Community School
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2005, federal, state and other grants accounted for \$444,961. This represents a decrease of \$45,842 over the total grant sources received for the 2003 – 2004 fiscal year.

5. Interest Earnings

The District received interest on its investments in the amount of \$41,111 for the fiscal year ended June 30, 2005. With interest rates rising slightly from a historic low, interest revenues are up from the prior fiscal year by \$4,198.

6. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund balances is shown below.

	<u>2004-2005</u> <u>Fiscal Year</u>	<u>2003-2004</u> <u>Fiscal Year</u>	<u>Increase</u> <u>(Decrease)</u>
Expenditures			
Instruction	\$3,765,569	\$3,781,545	\$ (15,976)
Supporting services	2,027,042	2,184,593	(157,551)
Community services	125,486	0	125,486
Food service activities	339,378	304,628	34,750
Athletic activities	146,661	175,454	(28,793)
Capital Outlay	0	59,217	(59,217)
Debt Service	<u>368,042</u>	<u>327,182</u>	<u>40,860</u>
Total expenditures	<u>\$6,772,178</u>	<u>\$6,832,619</u>	<u>\$(60,441)</u>

Deckerville Community Schools

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1st. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30th.

For the 2004 – 2005 fiscal year, the district amended the general fund budget two times with the Board adopting the changes in June 2005. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance with Final Budget positive (negative)	% Variance
Total revenues	<u>\$6,000,774</u>	<u>\$5,957,937</u>	<u>\$6,054,730</u>	<u>\$96,793</u>	<u>1.6%</u>
Expenditures					
Instruction	3,687,095	3,691,194	3,765,569	(74,375)	(2.0%)
Supporting services	2,090,312	2,037,620	2,027,042	10,578	0.5%
Community services	<u>146,738</u>	<u>125,448</u>	<u>125,486</u>	<u>(38)</u>	<u>0.0%</u>
Total expenditures	<u>\$5,924,145</u>	<u>\$5,854,218</u>	<u>\$5,918,097</u>	<u>\$(63,835)</u>	<u>(1.1%)</u>

Capital Asset and Debt Administration

Capital Assets

By the end of the 2004 – 2005 fiscal year, the district had invested \$7,690,734 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents an increase of \$4,442,310 over the prior fiscal year. Depreciation expense for the year amounted to \$268,831, bringing the accumulation to \$2,650,868 as of June 30, 2005.

Long- term Debt

At June 30, 2005, the District had \$3,200,693 in debt outstanding. This represents a reduction of \$294,578 over the amount outstanding at the close of the prior fiscal year. During the prior fiscal year, the school sold \$2,305,000 in bonds to refinance the 1995 bonds.

Deckerville Community School

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2005 – 2006 fiscal year. The early indication is that the foundation allowance will increase \$175 or 2.62% which will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. Additionally, the Retirement rate is increasing from 14.87% to 16.34% effective October 1, 2005.
- The contract with the Deckerville Community Schools Education Association, the union that represents the teaching staff, expires August 22, 2006.
- The state of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Education Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Behind Act, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact:

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Deckerville, MI 48427
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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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July 27, 2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Deckerville Community Schools
Deckerville, Michigan 48427

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Deckerville Community Schools as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of for the primary government of Deckerville Community Schools as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2005 on our consideration of Deckerville Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Education
Deckerville Community Schools
July 27, 2005

The management's discussion and analysis and budgetary comparison information on pages i through vii and 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of Deckerville Community Schools' basic financial statements. The additional information on pages 23 to 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BASIC FINANCIAL STATEMENTS

DECKERVILLE COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2005

ASSETS

CURRENT ASSETS:

Cash	\$ 2,423,198
Investments	330,837
Accounts receivable	23,000
Due from other governmental units	902,835
Due from other funds	37,625
Property taxes receivable	<u>5,000</u>

TOTAL CURRENT ASSETS	<u>3,722,495</u>
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NONCURRENT ASSETS:

Deferred charges on debt refunding	50,944
Amortization of bond issuance cost	(8,491)
Capital assets	7,690,734
Less accumulated depreciation	<u>(2,650,868)</u>

TOTAL NONCURRENT ASSETS	<u>5,082,319</u>
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TOTAL ASSETS	<u><u>\$ 8,804,814</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 10,720
Accrued salaries & wages	334,377
Deferred revenue	28,370
Accrued payroll taxes	163,590
Accrued interest	13,545
Current portion of long term debt	<u>328,598</u>

TOTAL CURRENT LIABILITIES	<u>879,200</u>
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NONCURRENT LIABILITIES:

Noncurrent portion of compensated absences	172,756
Noncurrent portion of long term debt	<u>2,699,339</u>

TOTAL NONCURRENT LIABILITIES	<u>2,872,095</u>
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NET ASSETS:

Invested in capital assets, net of related debt	2,054,382
Restricted for debt service	346,570
Unrestricted	<u>2,652,567</u>

TOTAL NET ASSETS	<u>5,053,519</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,804,814</u></u>
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The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Expenses	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 3,772,864		\$ 176,104	\$ (3,596,760)
Support services	1,998,643		117,402	(1,881,241)
Community services	125,486	\$ 13,215		(112,271)
Food services	309,971	128,446	151,455	(30,070)
Athletics	146,661	47,708		(98,953)
Interest on long-term debt	62,657			(62,657)
Amortization	8,491			(8,491)
Unallocated depreciation	268,831			(268,831)
Total governmental activities	<u>\$ 6,693,604</u>	<u>\$ 189,369</u>	<u>\$ 444,961</u>	(6,059,274)
General revenues:				
Property taxes, levied for general purposes				1,013,106
Property taxes, levied for debt service				348,290
State of Michigan school aid unrestricted				4,620,379
Investment revenue				41,111
Miscellaneous				107,999
Total general revenue				<u>6,130,885</u>
Change in net assets				71,611
Net assets, beginning of year				1,111,508
Net asset adjustment for building, net of depreciation				<u>3,870,400</u>
Net assets, end of year				<u>\$ 5,053,519</u>

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	<u>GENERAL FUND</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash	\$ 2,301,945	\$ 121,253	\$ 2,423,198
Investments	-	330,837	330,837
Accounts receivable		23,000	23,000
Due from other governmental units	902,835		902,835
Due from other funds	<u>38,086</u>		<u>38,086</u>
TOTAL ASSETS	<u>\$ 3,242,866</u>	<u>\$ 475,090</u>	<u>\$ 3,717,956</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
Accounts payable	\$ 2,972	\$ 7,748	\$ 10,720
Accrued salaries & wages	334,377		334,377
Due to other funds		461	461
Deferred revenue	28,370	-	28,370
Accrued payroll taxes	<u>163,590</u>	<u>-</u>	<u>163,590</u>
TOTAL LIABILITIES	<u>529,309</u>	<u>8,209</u>	<u>537,518</u>
FUND BALANCE:			
Unreserved:			
Designated for compensated absences	172,756		172,756
Undesignated	2,540,801	106,766	2,647,567
Reserved for debt retirement		<u>360,115</u>	<u>360,115</u>
TOTAL FUND BALANCE	<u>2,713,557</u>	<u>466,881</u>	<u>3,180,438</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,242,866</u>	<u>\$ 475,090</u>	<u>\$ 3,717,956</u>

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2005

Total Fund Balances - Governmental Funds **\$ 3,180,438**

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not
financial resources and are not reported in the funds

The cost of capital assets is:	7,690,734
Accumulated depreciation is:	(2,650,868)

Long term liabilities are not due and payable in the current
period and are not reported in the funds

Bonds payable:	(3,027,937)
Compensated absences	(172,756)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid:	(13,545)

Deferred charges for bond refunding	50,944
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Amortization of bond issuance costs	(8,491)
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Balance of taxes receivable at 6/30/05 less allowance for doubtful accounts	<u>5,000</u>
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Net Assets of Governmental Activities **\$ 5,053,519**

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Local sources			
Property tax	\$ 1,010,606	\$ 348,290	\$ 1,358,896
Interest income	38,066	3,045	41,111
Food sales and athletic admissions		176,154	176,154
Other	119,496	1,718	121,214
State sources	4,593,056	27,323	4,620,379
Federal sources	293,506	151,455	444,961
TOTAL REVENUES	6,054,730	707,985	6,762,715
EXPENDITURES:			
Instruction	3,765,569		3,765,569
Supporting services	2,027,042		2,027,042
Community services	125,486		125,486
Food services activities		339,378	339,378
Athletic activities		146,661	146,661
Capital outlay		-	-
Debt service:		-	-
Principal retirement		305,000	305,000
Interest		62,637	62,637
Other		405	405
TOTAL EXPENDITURES	5,918,097	854,081	6,772,178
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	136,633	(146,096)	(9,463)
OTHER FINANCING SOURCES (USES):			
Transfer from other funds		175,601	175,601
Payment to ISD	(1,794)		(1,794)
Transfer to other funds	(175,601)		(175,601)
TOTAL OTHER FINANCING SOURCES (USES)	(177,395)	175,601	(1,794)
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(40,762)	29,505	(11,257)
FUND BALANCE - BEGINNING OF YEAR	2,754,319	437,376	3,191,695
FUND BALANCE - END OF YEAR	\$ 2,713,557	\$ 466,881	\$ 3,180,438

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2005

Total net change in fund balances - governmental funds **\$ (11,257)**

Amounts reported for governmental activities in the statement
of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However,
in the statement of activities, the cost of these assets are allocated over their
useful lives as depreciation:

Depreciation expense	(268,831)
Amortization	(8,491)
Capital outlay	62,853
Basis of equipment sold	(126)

Accrued interest on bonds is recorded in the statement of activities when
incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	13,930
Accrued interest payable at the end of the year	(13,545)

Repayments of principal on long-term debt is an expenditure in the governmental
funds, but not in the statement of activities (where it is a reduction of liabilities)

305,000

Compensated absences are reported on the accrual method in the statement
of activities and recorded as an expenditure when due in the governmental funds:

Accrued compensated absences beginning of the year	162,334
Accrued compensated absences end of the year	(172,756)

Revenue is recorded on the accrual method in the statement of activities; in the
governmental funds it is recorded on the modified accrual method and not
considered available:

Accrued revenue at the beginning of the year	(2,500)
Accrued revenue at the end of the year	5,000

Change in net assets of governmental activities **\$ 71,611**

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2005

	<u>AGENCY FUNDS</u>
CURRENT ASSETS	
Cash	\$ 100,210
TOTAL ASSETS	<u><u>\$ 100,210</u></u>
 LIABILITIES	
Due to general fund	\$ 37,625
Due to student organizations	<u>62,585</u>
TOTAL LIABILITIES	<u><u>\$ 100,210</u></u>

The accompanying notes are an integral part of the financial statements.

**DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The School district was organized in 1915 and presently covers approximately 170 square miles covering all or parts of 8 Townships in Sanilac County. The School District operates under an elected School Board (7 members) and provides educational services to approximately 825 students.

The basic financial statements of the Deckerville Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The Deckerville Community Schools (the "District") is governed by the Deckerville Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as general revenues.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

GOVERNMENTAL FUNDS:

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

OTHER NON-MAJOR FUNDS:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):

OTHER NON-MAJOR FUNDS, (Continued):

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Foundation Revenue:

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005 the foundation allowance was based on the pupil membership counts taken in February and September of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2004 - August, 2005. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION, (Continued):

State Categorical Revenue:

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue.

Federal Revenue:

Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):

ASSETS, LIABILITIES AND EQUITY, (Continued):

The District along with certain other governmental units is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund - Non Homestead	17.2692
1995 Debt Service Fund – Homestead and non-homestead	2.1000

4. Inventories and Prepaid items.

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$2,500. Group purchases are evaluated on a case-by-case basis.

6. Compensated Absences.

Teachers with ten years or more of consecutive service will be paid \$33 per day for unused sick days if they leave the district. Each teacher shall be credited with eleven sick leave days at the beginning of each semester that can be accumulated to one hundred eighty days. All unused sick leave days in excess of one hundred eighty days shall be paid to the teacher at the end of the school year on the basis of \$33 per day. Other employee groups have contracts with negotiated sick leave benefits at varying levels. The long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):

ASSETS, LIABILITIES AND EQUITY, (Continued):

7. Unemployment Insurance.

The District reimburses the Bureau of Worker's & Unemployment Compensation (BW & UC) for the actual amount of unemployment benefits disbursed by the BW & UC on behalf of the District. Billings received for amounts paid by the BW & UC through June 30, are accrued, if material.

8. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. Memorandum only - Total Column.

The total column on the combined financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

11. Use of Estimates.

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended, Supplemental appropriations were made during the year with the last one approved prior to June 30.

NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK:

As of June 30, 2005, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External pool - MICMS	726	0.0027	AAAm	0.2%
MILAF External pool - MIMAX	25,499	0.0027	AAAm	7.7%
Guaranteed Investment Contract (GIC)	304,612	4.0000	A1+	92.1%
Total fair value	<u>\$ 330,837</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>3.6800</u>		

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK, (Continued):

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2005, the carrying amount of the District's deposits was \$2,523,408 and the bank balance was \$2,717,253. Of the bank balance, \$600,000 was covered by federal deposit insurance while the remaining bank balance of \$2,117,253 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the Note Payable Disclosed in Note 8.

The Investment Agreement, dated as of April 12, 2001, by and among Standard Federal, as the Depository on behalf of both the participating Michigan School District and the Michigan Municipal Bond Authority, and Wachovia, as Provider.

The net proceeds from the sale of the School Improvement Bonds were loaned by the Authority to Michigan School Districts. Such Loans are to be repaid with annual set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 103% of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 2.0% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Wachovia, as guarantor of the Provider's obligations under this Investment Agreement.

**DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK, (Continued):

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$100,210	\$ 2,523,408
Investments	330,837
	<u>\$ 2,854,245</u>

The above amounts are reported in the financial statements as follows:

Cash - District wide	\$ 2,423,198
Fiduciary Funds	100,210
Investments - District wide	330,837
	<u>\$ 2,854,245</u>

NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP; until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2005 was 14.87%. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District's contribution to MPERS for the years ended June 30, 2005, 2004 and 2003 were \$533,804, \$486,009, and \$493,320, respectively, and were equal to the required contribution for the year.

**DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN, (Continued):

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

OTHER POST-EMPLOYMENT BENEFITS:

Under the MPSERS' Act, all retirees have the option of continuing health, dental and vision coverage. These benefits are not included in the pension benefit obligation referred to above.

NOTE 5 - RISK MANAGEMENT:

The District is exposed to risk of loss related to injuries to employees'. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$38,086	
Hot Lunch		\$461
Trust & Agency Fund	_____	<u>38,625</u>
Total	\$38,086	\$38,086

NOTE 7 - LONG-TERM DEBT:

During the year ended June 30, 2004 the District refinanced the 1995 bonds. New general obligation bonds were issued at a premium after paying issuance costs of \$65,083, the net proceeds were \$2,254,517. The net proceeds from the issuance of the general obligation bonds along with \$185,000 from the District's Debt Retirement Fund were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on May 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$351,368, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$285,694.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 7 - LONG-TERM DEBT, (Continued):

The following is a summary of the long-term debt of the school district for the year ended June 30, 2005:

	<u>SERIAL BONDS</u>
Balance payable - July 1, 2004	\$ 3,495,271
Increase in accumulated compensated absences	10,422
Bonds paid	<u>(305,000)</u>
Balance payable June 30, 2005	\$3,200,693

As of June 30, 2005, the school district had the following long-term debt outstanding:

1998 Durant bonds; 4.76% interest.	\$ 37,937
QZAB Bonds; no interest	\$ 990,000
2004 Refunding Bonds; interest rates from 2.0% to 2.8%	\$2,000,000
Compensated absences	\$ 172,756

The annual requirements to amortize long-term debt outstanding as of June 30, 2005 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$328,598	\$55,933	\$384,531
2007	323,011	44,713	367,724
2008	333,155	36,970	370,125
2009	338,305	28,569	366,874
2010	348,462	19,618	368,080
2011	358,627	10,483	369,110
2012	3,799	370	4,169
2013	3,980	<u>190</u>	4,170
2014	990,000		990,000
Accumulated compensated absences	<u>172,756</u>		<u>172,756</u>
TOTAL	\$3,200,693	\$196,846	\$3,397,539

An amount of \$360,115 is available in the debt service fund to service the general obligation debt.

Interest expense (all funds) for the year ended June 30, 2005 was \$62,657.

NOTE 8 – QZAB FUND:

On April 12, 2001 the District borrowed \$990,000 through the Qualified Zone Academy Bond Program for the purpose of partially remodeling, equipping and re-equipping existing school facilities. The bonds are to be repaid with twelve annual installments of \$76,153 commencing on April 12, 2002 and a final installment of \$76,164 on April 12, 2014, being paid into a Trust Account to provide the funds to repay the bond principal in one payment of \$990,000 on April 14, 2014. The bonds are interest-free and the balance on June 30, 2005 is \$990,000. The balance in this trust account at June 30, 2005 is \$304,612.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 9 – TRANSFERS:

The general fund transferred \$99,448 to the athletic fund and \$76,153 to the QZAB debt retirement fund during the current fiscal year.

NOTE 10 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE JULY 1, 2004</u>	<u>ADJUSTMENT FOR BUILDING NOT INCLUDED IN PRIOR YEAR</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2005</u>
Capital assets:					
Buildings and additions	\$1,274,304	\$4,490,000		\$ 1,260	\$5,763,044
Technology	241,463				241,463
Athletic equipment	469,887				469,887
General equipment	437,778		\$ 62,854	3,080	497,552
Transportation equipment	<u>824,992</u>	<u>0</u>	<u>0</u>	<u>106,204</u>	<u>718,788</u>
Subtotal	3,248,424	4,490,000	62,854	110,544	7,690,734
Accumulated depreciation:	(1,872,855)	(619,600)	(268,831)	(110,418)	(2,650,868)
Net capital assets	\$1,375,569	\$3,870,400	\$(205,977)	\$ 126	\$5,039,866

Depreciation expense was charged as unallocated to the governmental activities in the amount of \$268,831.

REQUIRED SUPPLEMENTARY INFORMATION

DECKERVILLE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2005

	<u>BUDGET</u>			<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES:				
Local sources	\$ 1,088,535	\$ 1,113,560	\$ 1,168,168	\$ 54,608
State sources	4,601,657	4,556,683	4,593,056	36,373
Federal sources	310,582	287,694	293,506	5,812
TOTAL REVENUES	6,000,774	5,957,937	6,054,730	96,793
EXPENDITURES:				
Instruction	3,687,095	3,691,194	3,765,569	(74,375)
Supporting services	2,090,312	2,037,620	2,027,042	10,578
Community services	146,738	125,448	125,486	(38)
Principal retirement				-
TOTAL EXPENDITURES	5,924,145	5,854,262	5,918,097	(63,835)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	76,629	103,675	136,633	32,958
OTHER FINANCING SOURCES (USES):				
Transfer to Athletic Fund	(103,915)	(99,421)	(99,448)	(27)
Payment to ISD	-	(1,794)	(1,794)	-
Transfer to QZAB Bond Program	(76,153)	(76,153)	(76,153)	-
TOTAL OTHER FINANCING SOURCES (USES)	(180,068)	(177,368)	(177,395)	(27)
EXCESS OF REVENUES OVER EXPEN- DITURES & OTHER SOURCES (USES)	(103,439)	(73,693)	(40,762)	32,931
FUND BALANCE - BEGINNING OF YEAR	2,754,319	2,754,319	2,754,319	
FUND BALANCE - END OF YEAR	<u>\$ 2,650,880</u>	<u>\$ 2,680,626</u>	<u>\$ 2,713,557</u>	<u>\$ 32,931</u>

ADDITIONAL INFORMATION

DECKERVILLE COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2005

			<u>TOTAL</u>
	<u>SPECIAL</u>	<u>DEBT</u>	
	<u>REVENUE</u>	<u>SERVICE</u>	<u>2005</u>
<i>ASSETS</i>			
CURRENT ASSETS			
Cash	\$ 91,975	\$ 29,278	\$ 121,253
Investments		330,837	330,837
Accounts receivable	23,000		23,000
<i>TOTAL ASSETS</i>	<u>\$ 114,975</u>	<u>\$ 360,115</u>	<u>\$ 475,090</u>
 <i>LIABILITIES AND FUND BALANCE</i>			
LIABILITIES			
Accounts payable	\$ 7,748		\$ 7,748
Due to other funds	461		461
Deferred revenue	-		-
Accrued payroll taxes			-
<i>TOTAL LIABILITIES</i>	<u>8,209</u>	<u>-</u>	<u>8,209</u>
FUND BALANCE			
Unreserved:			
Designated for debt retirement		\$ 360,115	360,115
Undesignated	106,766		106,766
<i>TOTAL FUND BALANCE</i>	<u>106,766</u>	<u>360,115</u>	<u>466,881</u>
<i>TOTAL LIABILITIES AND FUND BALANCE</i>	<u>\$ 114,975</u>	<u>\$ 360,115</u>	<u>\$ 475,090</u>

DECKERVILLE COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2005

	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>TOTAL 2005</u>
REVENUES:			
Local sources			
Property tax		\$ 348,290	\$ 348,290
Interest income	\$ 1,097	1,948	3,045
Food sales and athletic admissions	176,154		176,154
Other	1,718		1,718
State sources	27,323		27,323
Federal sources	151,455		151,455
TOTAL REVENUES	357,747	350,238	707,985
EXPENDITURES:			
Food services activities	339,378		339,378
Athletic activities	146,661		146,661
Capital outlay			-
Debt service:			
Principal retirement		305,000	305,000
Interest		62,637	62,637
Other		405	405
TOTAL EXPENDITURES	486,039	368,042	854,081
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(128,292)	(17,804)	(146,096)
OTHER FINANCING SOURCES:			
Transfers from other funds	99,448	76,153	175,601
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES	(28,844)	58,349	29,505
FUND BALANCE - JULY 1	135,610	301,766	437,376
FUND BALANCE - JUNE 30	\$ 106,766	\$ 360,115	\$ 466,881

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property Tax	\$ 1,029,778	\$ 1,010,606	\$ (19,172)
Interest income	41,015	38,066	(2,949)
Tuition and fees	9,985	13,215	3,230
Rental of building	1,062	1,598	536
Transfer from Student Activities	2,500	2,500	-
Other	29,220	102,183	72,963
TOTAL REVENUE FROM LOCAL SOURCES	<u>1,113,560</u>	<u>1,168,168</u>	<u>54,608</u>
REVENUE FROM STATE SOURCES:			
State aid	4,375,829	4,438,389	62,560
Drivers education	-	-	-
Preschool program	99,000	98,994	(6)
Other State Grants	81,854	55,673	(26,181)
TOTAL REVENUE FROM STATE SOURCES	<u>4,556,683</u>	<u>4,593,056</u>	<u>36,373</u>
REVENUE FROM FEDERAL SOURCES:			
Title I	178,893	183,705	4,812
Title VI	-	-	-
IDEA Project	35,359	35,359	-
Title II	63,505	64,505	1,000
Title V	7,162	7,162	-
Other Federal Grants	2,775	2,775	-
TOTAL REVENUE FROM FEDERAL SOURCES	<u>287,694</u>	<u>293,506</u>	<u>5,812</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 5,957,937</u>	<u>\$ 6,054,730</u>	<u>\$ 96,793</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Basic Programs:			
Elementary			
Professional Salaries	\$ 983,654	\$ 981,347	\$ 2,307
Non-Professional Salaries	66,263	66,260	3
Insurance Benefits	220,187	220,185	2
FICA & Retirement	235,704	236,108	(404)
Purchased Services	12,621	13,666	(1,045)
Supplies	34,881	57,388	(22,507)
Capital Outlay	7,314	7,313	1
Miscellaneous	1,296	1,296	-
Total Elementary	<u>1,561,920</u>	<u>1,583,563</u>	<u>(21,643)</u>
Secondary			
Professional Salaries	846,767	847,280	(513)
Non-Professional Salaries	36,726	36,725	1
Insurance Benefits	184,997	185,355	(358)
FICA & Retirement	198,456	196,605	1,851
Purchased Services	23,952	24,904	(952)
Supplies	45,448	97,977	(52,529)
Capital Outlay	19,384	19,383	1
Miscellaneous	2,089	2,088	1
Total Secondary	<u>1,357,819</u>	<u>1,410,317</u>	<u>(52,498)</u>
Added Needs:			
Technology Literacy Grant			
Purchased Services	1,136	1,136	-
Supplies	3,410	3,410	-
Total Technology Literacy Grant	<u>4,546</u>	<u>4,546</u>	<u>-</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
Added Needs, (Continued):			
Classrooms of Tomorrow (IDEA):			
Professional Salaries	\$ 28,860	\$ 28,860	-
Insurance Benefits	-	-	-
FICA & Retirement	6,499	6,499	-
Total Classrooms of Tomorrow (IDEA):	35,359	35,359	-
Special Education & Speech Therapy:			
Professional Salaries	123,810	123,811	\$ (1)
Non-Professional Salaries	113,156	113,153	3
Insurance Benefits	33,479	33,477	2
FICA & Retirement	45,482	45,733	(251)
Purchased Services	4,471	4,469	2
Supplies	2,626	2,625	1
Total Special Education & Speech Therapy:	323,024	323,268	(244)
Gifted and Talented:			
Professional Salaries	1,950	1,950	-
FICA & Retirement	440	439	1
Purchased Services	192	192	-
Supplies	-	-	-
Miscellaneous	150	150	-
Total Gifted and Talented	2,732	2,731	1
Compensatory Education (Title I):			
Professional Salaries	58,723	58,723	-
Non-Professional Salaries	64,272	64,272	-
Insurance Benefits	2,108	2,105	3
FICA & Retirement	26,102	26,098	4
Purchased Services	21,812	21,812	-
Supplies	5,788	5,786	2
Miscellaneous	88	88	-
Total Compensatory Education	178,893	178,884	9
Compensatory Education (Title VI):			
Professional Salaries	-	-	-
Purchased Services	-	-	-
Supplies	-	-	-
Capital Outlay	-	-	-
Total Compensatory Education (Title VI)	-	-	-

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
Added Needs, (Continued):			
Title V:			
Purchased Services	-	-	-
Supplies	\$ 7,162	\$ 7,162	-
Total Title V	<u>7,162</u>	<u>7,162</u>	<u>-</u>
Compensatory Education (At-Risk):			
Professional Salaries	75,736	73,232	\$ 2,504
Non-Professional Salaries	40,737	40,736	1
Insurance Benefits	15,522	15,520	2
FICA & Retirement	25,662	25,659	3
Purchased Services	2,976	2,976	-
Supplies	147	147	-
Capital Outlay	-	2,510	(2,510)
Total Compensatory Education (At-Risk):	<u>160,780</u>	<u>160,780</u>	<u>-</u>
Classroom Reduction:			
Professional Salaries	45,644	45,645	(1)
Insurance Benefits	-	-	-
FICA & Retirement	10,279	10,278	1
Payment to I.S.D.	3,036	3,036	-
Purchased Services	-	-	-
Total Classroom Reduction	<u>58,959</u>	<u>58,959</u>	<u>-</u>
Adult Continuing Education:			
Non-Professional Salaries	-	-	-
Insurance Benefits	-	-	-
FICA & Retirement	-	-	-
Purchased Services	-	-	-
Total Adult Continuing Education	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL INSTRUCTION:	<u>3,691,194</u>	<u>3,765,569</u>	<u>(74,375)</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
Pupil Services:			
Guidance Services:			
Professional Salaries	\$ 77,664	\$ 82,520	\$ (4,856)
Non-Professional Salaries	11,694	11,694	-
Insurance Benefits	13,588	13,588	-
FICA & Retirement	19,967	20,061	(94)
Purchased Services	637	667	(30)
Supplies	988	988	-
Capital Outlay	618	618	-
Total Guidance Services	<u>125,156</u>	<u>130,136</u>	<u>(4,980)</u>
Drug Education			
Purchased Services	<u>2,775</u>	<u>3,000</u>	<u>(225)</u>
Total Drug Education	<u>2,775</u>	<u>3,000</u>	<u>(225)</u>
Library			
Professional Salaries	51,546	51,542	4
Non-Professional Salaries	17,822	17,766	56
Insurance Benefits	16,738	15,276	1,462
FICA & Retirement	15,446	15,446	-
Purchased Services	5,863	5,890	(27)
Supplies	7,750	7,749	1
Capital Outlay	4824	4824	-
Total Library	<u>119,989</u>	<u>118,493</u>	<u>1,496</u>
General Administration:			
Professional Salaries	161,324	161,319	5
Non-Professional Salaries	28,386	28,385	1
Insurance Benefits	35,018	35,016	2
FICA & Retirement	42,203	42,201	2
Other Benefits	19,429	19,429	-
Purchased Services	24,457	23,371	1,086
Supplies	3,989	7,680	(3,691)
Capital Outlay	6,765	6,764	1
Miscellaneous	464	463	1
Total General Administration	<u>322,035</u>	<u>324,628</u>	<u>(2,593)</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
School Administration:			
Professional Salaries	\$ 146,468	\$ 146,468	-
Non-Professional Salaries	65,022	65,021	\$ 1
Insurance Benefits	55,382	55,381	1
FICA & Retirement	46,793	50,737	(3,944)
Other Benefits	26,546	26,546	(0)
Purchased Services	3,544	3,636	(92)
Supplies	4,358	4,356	2
Capital Outlay	1,618	1,618	-
Miscellaneous	-	-	-
Total School Administration	<u>349,731</u>	<u>353,763</u>	<u>(4,032)</u>
Business - Fiscal Services:			
Salaries	51,181	51,180	1
FICA & Retirement	11,291	11,288	3
Insurance Benefits	21,876	21,874	2
Purchased Services	<u>52,837</u>	<u>33,632</u>	<u>19,205</u>
Total Business - Fiscal Services	137,185	117,974	19,211
Business - Other Business Services:			
Capital Outlay	<u>22,610</u>	<u>22,609</u>	<u>1</u>
Total Other Business Services	<u>22,610</u>	<u>22,609</u>	<u>1</u>
Operation of Plant:			
Professional Salaries	37,375	37,375	-
Non-Professional Salaries	144,015	144,013	2
Insurance Benefits	66,900	66,899	1
FICA & Retirement	41,833	41,878	(45)
Purchased Services	82,859	83,056	(197)
Supplies	145,002	144,569	433
Capital Outlay	8,050	8,050	-
Miscellaneous	-	-	-
Total Operation of Plant	<u>526,034</u>	<u>525,840</u>	<u>194</u>
Pupil Transportation:			
Professional Salaries	42,234	42,234	-
Non-Professional Salaries	159,380	159,379	1
Insurance Benefits	55,742	55,731	11
FICA & Retirement	46,774	45,612	1,162
Purchased Services	15,930	15,898	32
Supplies	54,986	54,803	183
Capital Outlay	800	800	-
Miscellaneous	<u>15,899</u>	<u>15,896</u>	<u>3</u>
Total Pupil Transportation	<u>391,745</u>	<u>390,353</u>	<u>1,392</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Central Services:			
Information Services:			
Purchased Services	\$ 2,350	\$ 2,241	\$ 109
Student Activities:			
Professional Salaries	9,698	9,697	1
Non-Professional Salaries	7,763	7,762	1
Insurance Benefits	3,514	3,513	1
FICA & Retirement	4,050	4,049	1
Total Student Activities	25,025	25,021	4
Support for Agency Funds			
Non-Professional Salaries	7,762	7,762	-
Insurance Benefits	3,514	3,513	1
FICA & Retirement	1,709	1,709	-
Total Support for Agency Funds	12,985	12,984	1
TOTAL SUPPORTING SERVICES	2,037,620	2,027,042	10,578
COMMUNITY SERVICES			
Driver's Education			
Professional Salaries	8,656	8,656	-
FICA & Retirement	1,866	1,864	2
Purchased Services	2,430	2,430	-
Supplies	834	881	(47)
Total Driver's Education	13,786	13,831	(45)
Summer Programs			
Professional Salaries	5,308	5,308	-
Non-Professional Salaries	5,407	5,406	1
FICA & Retirement	1,896	1,895	1
Supplies	11	11	-
Miscellaneous	40	40	-
Total Summer Programs	12,662	12,660	2

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES, (Continued):			
State-Funded Pre-School			
Professional Salaries	\$ 36,757	\$ 36,757	-
Non-Professional Salaries	30,716	30,715	\$ 1
Insurance Benefits	691	689	2
FICA & Retirement	15,916	15,915	1
Purchased Services	6,798	6,798	-
Supplies	5,849	5,848	1
Capital Outlay	1,666	1,666	-
Miscellaneous	607	607	-
	<u>99,000</u>	<u>98,995</u>	<u>5</u>
Total State-Funded Pre-School			
	<u>99,000</u>	<u>98,995</u>	<u>5</u>
TOTAL COMMUNITY SERVICES	<u>125,448</u>	<u>125,486</u>	<u>(38)</u>
OTHER FINANCING USES:			
Transfer to Athletic fund	99,421	99,448	(27)
Payment to ISD	1,794	1,794	-
Transfer to QZAB Bond Program	76,153	76,153	-
	<u>76,153</u>	<u>76,153</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 6,031,630</u>	<u>\$ 6,095,492</u>	<u>\$ (63,862)</u>

DECKERVILLE COMMUNITY SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>COMBINED</u>
<i>ASSETS</i>			
Cash in bank	\$ 89,039	\$ 2,936	\$ 91,975
Accounts Receivable	23,000	-	23,000
Due from other funds		-	-
	<hr/>	<hr/>	<hr/>
<i>TOTAL ASSETS</i>	<u><u>\$ 112,039</u></u>	<u><u>\$ 2,936</u></u>	<u><u>\$ 114,975</u></u>
 <i>LIABILITIES & FUND BALANCE</i>			
LIABILITIES:			
Accounts Payable	\$ 7,748	-	\$ 7,748
Due to other funds	461		461
Deferred Income		-	-
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	8,209	-	8,209
FUND BALANCE	<hr/> 103,830	<hr/> \$ 2,936	<hr/> 106,766
	<hr/>	<hr/>	<hr/>
<i>TOTAL LIABILITIES & FUND BALANCE</i>	<u><u>\$ 112,039</u></u>	<u><u>\$ 2,936</u></u>	<u><u>\$ 114,975</u></u>

DECKERVILLE COMMUNITY SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
June 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>COMBINED</u>	<u>COMBINED BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:					
Local Sources:					
Sale of meals & milk	\$ 128,446		\$ 128,446	\$ 127,821	\$ 625
Admissions		\$ 47,708	47,708	47,709	(1)
Interest	1,044	53	1,097	1,103	(6)
Sale of supplies			-		-
Other	507	1,211	1,718	1,641	77
Total Local Sources	129,997	48,972	178,969	178,274	695
State Sources:					
State Lunch Aid	27,323		27,323	12,106	15,217
Other			-		-
Total State Sources	27,323	-	27,323	12,106	15,217
Federal Sources:					
National School Lunch Program	143,224		143,224	158,903	(15,679)
USDA Commodities	8,231		8,231	-	8,231
Total Federal Sources	151,455	-	151,455	158,903	(7,448)
TOTAL REVENUE	308,775	48,972	357,747	349,283	8,464
EXPENDITURES:					
School Service Activities:					
Professional salaries	67,140	62,730	129,870	136,296	6,426
Employee benefits	15,122	19,160	34,282	45,195	10,913
Federal free food	123,561		123,561	116,536	(7,025)
Purchased services	77,305	39,927	117,232	107,621	(9,611)
Supplies & other costs	8,848	2,715	11,563	11,318	(245)
Capital Outlay	44,399	12,569	56,968	51,187	(5,781)
Miscellaneous	3,003	9,560	12,563	12,535	(28)
TOTAL EXPENDITURES	339,378	146,661	486,039	480,688	(5,351)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(30,603)	(97,689)	(128,292)	(131,405)	3,113
OTHER FINANCING SOURCES:					
Transfers from General Fund		99,448	99,448	99,421	27
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES	(30,603)	1,759	(28,844)	\$ (31,984)	\$ 3,140
FUND BALANCE - JULY 1	134,433	1,177	135,610		
FUND BALANCE - JUNE 30	\$ 103,830	\$ 2,936	\$ 106,766		

DECKERVILLE COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 2005

	<u>QZAB BOND PROGRAM</u>	<u>1995 DEBT SERVICE</u>	<u>DURANT DEBT SERVICE</u>	<u>TOTAL DEBT SERVICE</u>
<u>ASSETS</u>				
Cash in bank		\$ 29,278	\$ -	\$ 29,278
Investments	\$ 304,612	26,225	-	330,837
TOTAL ASSETS	<u>\$ 304,612</u>	<u>\$ 55,503</u>	<u>\$ -</u>	<u>\$ 360,115</u>
<u>LIABILITIES & FUND BALANCE</u>				
Reserved for debt service	\$ 304,612	\$ 55,503	\$ -	\$ 360,115
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 304,612</u>	<u>\$ 55,503</u>	<u>\$ -</u>	<u>\$ 360,115</u>

DECKERVILLE COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2005

	<u>QZAB BOND PROGRAM</u>	<u>1995 DEBT SERVICE</u>	<u>DURANT DEBT SERVICE</u>	<u>TOTAL DEBT SERVICE</u>
REVENUES FROM LOCAL SOURCES:				
Local Sources:				
Current tax levy		\$ 348,290	\$ -	\$ 348,290
Interest on investments		<u>1,948</u>		<u>1,948</u>
Total Local Sources		350,238		350,238
TOTAL REVENUES		<u>350,238</u>	<u>-</u>	<u>350,238</u>
EXPENDITURES:				
Bond principal		305,000	-	305,000
Bond interest		62,637	-	62,637
Bond fees and charges		175	-	175
Tax abatement		<u>230</u>	<u>-</u>	<u>230</u>
TOTAL EXPENDITURES		<u>368,042</u>	<u>-</u>	<u>368,042</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES		(17,804)	-	(17,804)
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	<u>\$ 76,153</u>	<u>-</u>		<u>76,153</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>76,153</u>	<u>-</u>	<u>-</u>	<u>76,153</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	76,153	(17,804)	-	58,349
FUND BALANCE - JULY 1	<u>228,459</u>	<u>73,307</u>	<u>-</u>	<u>301,766</u>
FUND BALANCE - JUNE 30	<u><u>\$ 304,612</u></u>	<u><u>\$ 55,503</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 360,115</u></u>

DECKERVILLE COMMUNITY SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND LIABILITIES
YEAR ENDED JUNE 30, 2005

	BALANCE JUNE 30, 2004	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2005
GENERAL FUND ACTIVITIES:				
Annual	\$ 3,702	\$ 17,903	\$ 18,451	\$ 3,154
Band	39	135	162	12
Board of Education	1,433	4,538	4,930	1,041
Bookstore	251	400	370	281
Cheerleaders	1,967	2,434	3,453	948
Preschool	-	90	90	-
Swimming pool	1,137	12,138	10,498	2,777
Petty cash	1,586	1,925	1,535	1,976
Shop supplies	106	1,118	1,319	(95)
Art	270	-	9	261
Science	316	-	-	316
Enrichment classes	137	-	137	-
Sale of supplies and used items	-	1,288	1,288	-
Field trips	-	1,344	1,344	-
Cheerleaders-Junior High	1,007	135	427	715
Copies and postage	-	87	87	-
Driver education	-	13,330	13,330	-
Vending machines	11,647	17,091	17,598	11,140
Returned check charges	-	-	-	-
Interest	13,941	1,158	-	15,099
TOTAL GENERAL FUND	37,539	75,114	75,028	37,625
STUDENT ACTIVITIES:				
Band Boosters	7,210	26,746	29,935	4,021
Advanced program	1,821	-	-	1,821
Class of 2000	2,191	-	37	2,154
Class of 2001	808	-	-	808
Class of 2002	271	-	-	271
Class of 2003	945	-	-	945
Class of 2004	674	-	-	674
Class of 2005	2,281	3,724	5,796	209
Class of 2006	4,173	2,999	4,065	3,107
Class of 2007	1,448	2,482	1,161	2,769
Class of 2008	1,929	1,897	1,022	2,804
Class of 2009	3,222	5,084	3,929	4,377
Class of 2010	-	2,114	-	2,114
Baseball	126	1,927	1,294	759
Boys Basketball	41	4,371	3,090	1,322

DECKERVILLE COMMUNITY SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND LIABILITIES
YEAR ENDED JUNE 30, 2005

	BALANCE JUNE 30, 2004	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2005
SCHOOL SERVICE ACTIVITIES (Continued):				
Elementary Activities & Projects	\$ 590	\$ 3,329	\$ 2,483	\$ 1,436
Drama	2,890	12,803	10,484	5,209
Fifth Grade Economics Project	1,242	318	566	994
Sixth Gr. Candy Sales	12	9,999	6,655	3,356
Girls Basketball	3,233	8,475	6,631	5,077
Greenfield Village Trip	5,273	3,697	3,320	5,650
Student Enrichment	1,594	-	-	1,594
Kindergarten Cookies	71	600	350	321
F.F.A.	1,408	-	-	1,408
Foods Class	6	63	-	69
High School Student Council	571	2,324	2,460	435
Volleyball	616	2,214	1,809	1,021
National Honor Society	6,171	16,055	20,508	1,718
Junior National Honor Society	472	-	-	472
T.L. Concession	31	-	-	31
Football	507	14,604	11,323	3,788
Close-up	9	-	-	9
Softball	611	8,577	9,517	(329)
S.A.D.D.	485	-	-	485
Bowling	83	1,679	1,762	-
Alternative Education	16	31	26	21
Physical Education Bowling	-	-	-	-
Equestrian Team	204	1,934	1,866	272
Internet	37	-	18	19
Mackinaw	456	9,614	9,473	597
Track	473	2,180	2,041	612
Cross Country	165	-	-	165
TOTAL STUDENT ACTIVITIES	54,366	149,840	141,621	62,585
TOTAL AGENCY FUNDS	\$ 91,905	\$ 224,954	\$ 216,649	\$ 100,210

DECKERVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT
2004 REFUNDING BONDS
June 30, 2005

Purpose of Issue: Erecting, furnishing and equipping elementary and secondary school additions to and partially remodeling and partially re-equipping the building, acquiring, partially installing and equipping the facility for instructional technology; and developing and improving the site. The original bonds issued in 1995 were refinanced in March, 2004.

<u>DUE DATE</u>	<u>PRINCIPAL</u>	<u>RATES</u>	<u>INTEREST DUE</u>	<u>PAYMENT DUE</u>
11/1/2005			\$ 24,927	\$ 24,927
5/1/2006	\$ 315,000	2.00	24,927	339,927
11/1/2006			21,777	21,777
5/1/2007	320,000	2.375	21,777	341,777
11/1/2007			17,977	17,977
5/1/2008	330,000	2.50	17,977	347,977
11/1/2008			13,852	13,852
5/1/2009	335,000	2.625	13,852	348,852
11/1/2009			9,455	9,455
5/1/2010	345,000	2.60	9,455	354,455
11/1/2010			4,970	4,970
5/1/2011	<u>355,000</u>	2.80	<u>4,970</u>	<u>359,970</u>
TOTAL	<u>\$ 2,000,000</u>		<u>\$ 185,916</u>	<u>\$ 2,185,916</u>

The bonds are not subject to optional redemption prior to maturity.

DECKERVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - DURANT BONDS
June 30, 2005

\$59,383 Durant Bond issued November 24, 1998:

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
\$ 13,598	\$ 6,079	2006	\$ 19,677
3,011	1,159	2007	4,170
3,155	1,016	2008	4,171
3,305	865	2009	4,170
3,462	708	2010	4,170
3,627	543	2011	4,170
3,799	370	2012	4,169
3,980	190	2013	4,170
<u>\$ 37,937</u>	<u>\$ 10,930</u>		<u>\$ 48,867</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the School Aid Payments directly to the Authority's Depository.



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

July 27, 2005

To the Board of Education
Deckerville Community School
Deckerville, MI 48427

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Deckerville Community Schools as of and for the year ended June 30, 2005, which collectively comprise Deckerville Community Schools basic financial statements of the District's primary government and have issued our report thereon dated July 27, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Deckerville Community School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Deckerville Community School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS